

# **Water Street Ministries d/b/a Water Street Mission and Affiliate**

## **Consolidated Financial Report**

**June 30, 2021**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Water Street Ministries d/b/a  
Water Street Mission and Affiliate  
Lancaster, Pennsylvania

We have audited the accompanying consolidated financial statements of Water Street Ministries d/b/a Water Street Mission (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Water Street Ministries d/b/a Water Street Mission and Affiliate as of June 30, 2021, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Water Street Ministries d/b/a Water Street Mission and Affiliate's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Simon Lever LLC*  
**Simon Lever LLC**  
Lititz, PA

October 29, 2021

CONSOLIDATED FINANCIAL STATEMENTS

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
<b>ASSETS</b>		
Cash and cash equivalents	5,237,959	3,866,603
Receivables	408,185	464,629
Inventory	471,778	504,789
Prepaid expenses	201,156	143,371
Investments	9,425,216	7,754,098
Property and equipment, net of accumulated depreciation of \$7,970,000- 2021; \$7,264,574- 2020	7,576,328	7,697,412
Beneficial interest in split-interest agreements	242,515	223,340
Investments - with donor restrictions	666,693	600,128
Beneficial interest in assets held by others in perpetual trust	<u>4,934,134</u>	<u>4,135,860</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>29,163,964</u></b>	<b><u>25,390,230</u></b>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	107,441	189,238
Accrued payroll and employee benefits	438,832	411,921
Accrued expenses	58,448	49,120
Annuity obligations	28,214	29,263
Obligations under capital lease	0	1,226
<b>TOTAL LIABILITIES</b>	<u>632,935</u>	<u>680,768</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Designated by board	7,823,550	6,342,562
Allocated to property and equipment	7,576,328	7,697,412
Undesignated	7,149,904	5,427,600
Total without donor restrictions	<u>22,549,782</u>	<u>19,467,574</u>
With donor restrictions	<u>5,981,247</u>	<u>5,241,888</u>
<b>TOTAL NET ASSETS</b>	<u>28,531,029</u>	<u>24,709,462</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>29,163,964</u>	<u>25,390,230</u>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2021 and 2020**

	Without Donor Restrictions	With Donor Restrictions	Comparative Totals	
			2021	2020
	\$	\$	\$	\$
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions, net of direct special event expenses of 2021-\$153,443; 2020-\$144,550	10,383,048	0	10,383,048	8,879,755
Contributions - non-cash	1,466,815	0	1,466,815	1,879,852
Investment income, net of investment fees	99,848	0	99,848	161,643
Income from beneficial interests	195,921	0	195,921	195,692
Program fees	89,742	0	89,742	94,519
Other income	17,476	0	17,476	10,912
Net assets released from restrictions	144,655	(144,655)	0	0
<b>Total Revenues and Other Support</b>	<b>12,397,505</b>	<b>(144,655)</b>	<b>12,252,850</b>	<b>11,222,373</b>
<b>EXPENSES</b>				
Program				
Water Street Mission	7,305,416	0	7,305,416	6,993,218
Water Street Health Services	1,055,868	0	1,055,868	1,198,092
Management and general	722,390	0	722,390	778,794
Fundraising and development	2,069,312	0	2,069,312	1,898,654
<b>Total Expenses</b>	<b>11,152,986</b>	<b>0</b>	<b>11,152,986</b>	<b>10,868,758</b>
Change in Net Assets from Activities	1,244,519	(144,655)	1,099,864	353,615
<b>OTHER CHANGES</b>				
Net realized and unrealized gains on investments	1,838,013	66,565	1,904,578	55,485
Gain on disposal of capital assets	2,980	0	2,980	81,406
Adjustment to beneficial interest in split-interest agreements	0	19,175	19,175	7,028
Adjustment to beneficial interest in assets held by others in perpetual trust	0	798,274	798,274	(120,977)
Adjustment to annuity obligations	(3,304)	0	(3,304)	(2,848)
<b>Total Other Changes</b>	<b>1,837,689</b>	<b>884,014</b>	<b>2,721,703</b>	<b>20,094</b>
<b>CHANGES IN NET ASSETS</b>	<b>3,082,208</b>	<b>739,359</b>	<b>3,821,567</b>	<b>373,709</b>
Net Assets at Beginning of Year	19,467,574	5,241,888	24,709,462	24,335,753
<b><u>Net Assets at End of Year</u></b>	<b><u>22,549,782</u></b>	<b><u>5,981,247</u></b>	<b><u>28,531,029</u></b>	<b><u>24,709,462</u></b>

See Notes to Financial Statements



Water Street Ministries d/b/a Water Street Mission and Affiliate

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended June 30, 2021 and 2020**

	Program Services		Support Activities			Comparative Totals	
	WSM Program Services \$	Water Street Health Services \$	Management and General \$	Fundraising and Development \$	Total \$	2021 \$	2020 \$
Salaries and wages	3,383,808	446,382	465,725	754,847	1,220,572	5,050,762	4,819,227
Donated services	10,576	80,426	0	0	0	91,002	98,576
Employee health and retirement benefits	889,307	75,033	76,596	125,804	202,400	1,166,740	892,806
Payroll taxes and unemployment claims	275,343	36,083	33,108	52,227	85,335	396,761	366,398
Donated clothing and furniture	15,550	0	0	0	0	15,550	16,731
Donated food and supplies	1,091,589	0	0	0	0	1,091,589	1,229,867
Donated medical supplies	0	308,223	0	0	0	308,223	379,555
Food and supplies purchased	105,695	5,646	5,359	1,515	6,874	118,215	163,703
Occupancy	170,915	12,221	5,041	1,949	6,990	190,126	207,784
Security	11,787	407	4,847	0	4,847	17,041	18,868
Building repairs and maintenance	58,772	881	656	1,196	1,852	61,505	78,979
Equipment repairs, small equipment, and IT equipment	81,480	5,026	1,731	13,778	15,509	102,015	116,635
Vehicle fuel, repairs and maintenance	11,028	0	1,017	0	1,017	12,045	17,687
Promotional expenses	1,017	165	4,466	916,787	921,253	922,435	907,090
Insurance	135,192	12,174	23,693	13,335	37,028	184,394	190,160
Telephone	58,894	12,262	17,368	6,608	23,976	95,132	78,402
Professional fees	61,175	4,415	32,167	20,711	52,878	118,468	144,101
Scholarships	50,115	0	0	0	0	50,115	47,323
Interest expense	0	0	0	0	0	0	105
Property taxes	0	0	0	0	0	0	1,857
Conferences, seminars and travel	31,177	8,065	1,371	11,655	13,026	52,268	62,864
Licenses and fees	75,990	8,340	2,275	126,037	128,312	212,642	161,521
Special events	0	0	0	153,443	153,443	153,443	144,550
Other expenses	135,742	11,351	15,840	12,487	28,327	175,420	157,935
<b>Total Expenses Before Depreciation and Amortization</b>	<b>6,655,152</b>	<b>1,027,100</b>	<b>691,260</b>	<b>2,212,379</b>	<b>2,903,639</b>	<b>10,585,891</b>	<b>10,302,724</b>
Depreciation and amortization	650,264	28,768	31,130	10,376	41,506	720,538	710,584
Less direct expenses related to special events	0	0	0	(153,443)	(153,443)	(153,443)	(144,550)
<b>Total Functional Expenses</b>	<b>7,305,416</b>	<b>1,055,868</b>	<b>722,390</b>	<b>2,069,312</b>	<b>2,791,702</b>	<b>11,152,986</b>	<b>10,868,758</b>

See Notes to Financial Statements

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	3,821,567	373,709
Adjustments to reconcile changes in net assets to change in net cash from operating activities:		
Depreciation and amortization	720,538	710,584
Donated investments	(28,340)	(83,526)
Change in value of annuity obligations	3,304	2,848
Realized gain on investments	(510,651)	(86,770)
Unrealized (gain) loss on investments	(1,393,927)	31,284
Gain on disposal of capital assets	(2,980)	(81,406)
Change in assets and liabilities:		
Receivables	56,444	(298,088)
Inventory	33,011	(153,731)
Prepaid expenses	(57,785)	(30,137)
Beneficial interest in split-interest agreements	(19,175)	(11,574)
Beneficial interest in assets held by others in perpetual trust	(798,274)	120,977
Accounts payable	(81,797)	(156,836)
Accrued payroll and employee benefits	26,911	141,398
Accrued expenses	9,328	65
 Net Cash Provided by Operating Activities	 <u>1,778,174</u>	 <u>478,797</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(508,277)	(494,483)
Proceeds from sale of investments	703,512	1,684,715
Purchase of property and equipment	(599,454)	(1,895,196)
Proceeds from disposal of property and equipment	2,980	116,781
 Net Cash Used in Investing Activities	 <u>(401,239)</u>	 <u>(588,183)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of annuity obligations	(4,353)	(3,850)
Payment of capital lease obligation	(1,226)	(552)
 Net Cash Used in Financing Activities	 <u>(5,579)</u>	 <u>(4,402)</u>
 Net Change in Cash and Cash Equivalents	 1,371,356	 (113,788)
Cash and Cash Equivalents:		
Beginning	<u>3,866,603</u>	<u>3,980,391</u>
Ending	<u>5,237,959</u>	<u>3,866,603</u>

See Notes to Financial Statements

## **Water Street Ministries d/b/a Water Street Mission and Affiliate**

### **Notes to Consolidated Financial Statements**

#### **Note 1 - Summary of Significant Accounting Policies**

Nature of Organization – Water Street Ministries d/b/a Water Street Mission and Affiliate, hereafter referred to as “Water Street,” are nonprofit organizations located in Lancaster, Pennsylvania. The purpose of Water Street is to advance the kingdom of God through the gospel of Jesus Christ and to do missionary, relief and rescue work of all kinds. Programs include providing food, shelter, clothing and furniture, medical and dental services, youth education, recovery and religious guidance to the poor and homeless men, women and children in south-central Pennsylvania.

Contributions from individuals, corporations and foundations in the form of cash, food, medications, medical supplies and services represent a significant portion of support to Water Street. Unpaid volunteers provide a significant amount of their time to perform services for Water Street programs, administration and fundraising activities.

Principles of Consolidation – The accompanying consolidated financial statements include the activities of Water Street Ministries d/b/a Water Street Mission and its affiliate, Water Street Health Services. Water Street Health Services, a non-profit organization, provides health services free of charge to the individuals of Lancaster County who fall within specific guidelines. Inter-entity activities between Water Street Mission and Water Street Health Services have been eliminated.

Comparative Financial Statement Presentation – The summarized comparative information for the year ended June 30, 2020 is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America and is presented for comparative purposes only.

Income Taxes – Water Street is exempt from federal income taxes under Sec. 501(c)(3) of the Internal Revenue Code and therefore, no provision for income taxes is included in the accompanying consolidated financial statements.

Water Street believes its exempt status will be sustained under audit and believes it does not have any significant uncertain tax positions. No required annual returns for organizations exempt from income tax are currently under examination by taxing jurisdictions.

Accounting Estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Highly liquid investments with an original maturity of three months or less are cash equivalents except for amounts held as long-term investments in Water Street’s investment portfolio.

Concentration of Credit Risk – During the year, Water Street’s deposit balances with financial institutions exceeded the FDIC insured limit. Management believes that credit risk related to these excess balances is minimal. As of June 30, 2021, deposits in excess of the FDIC limits totaled \$4,298,507.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies – Continued**

Inventory – Inventories consist of food, medications, medical and dental supplies, and general supplies held for future consumption. Inventories are stated at wholesale value, and cost is determined on the first-in, first-out (FIFO) method. Inventory consists of both donated and purchased items.

Donations of clothing are received and inventoried for distribution to the local community. Although these items are of value, such values are not readily ascertainable. Therefore, inventories of clothing donated to Water Street's Outreach Ministries are not reported on the accompanying consolidated statements of financial position.

Investments – Investments consist of money market funds, certificates of deposit, fixed income and equity mutual funds, and marketable equity and fixed income securities. Certificates of deposit are stated at cost plus accrued interest and other investments are stated at market value on the accompanying statements of consolidated financial position. Investment income includes interest, dividends, and capital gain distributions, reduced by investment fees, and is included as income without donor restriction from activities on the accompanying consolidated statements of activities unless restricted by donor or law and the restriction was not met during the current year. Realized and unrealized gains and losses on investments are excluded from changes in net assets from activities but are included as other changes in net assets without donor restriction in the accompanying consolidated statement of activities unless restricted by donor or law and the restriction was not met during the current year.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Property and Equipment – Property and equipment is stated at cost, except donated capital assets, which are stated at fair market value at the date of donation. Major improvements and betterments of existing building and fixtures are capitalized, while maintenance and repairs that do not improve or extend the life of the respective assets are expensed currently. Property and equipment with a useful life greater than one year is capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Computer equipment and software	3 - 5
Vehicles	5
Furniture and office equipment	10
Machinery and equipment	5 - 20
Buildings and building improvements	10 - 40

When properties are retired or otherwise disposed of, the asset and accumulated depreciation accounts are adjusted accordingly. Any resulting gain or loss arising from its disposal is excluded from income from activities but is included as other changes in net assets.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies – Continued**

Net Assets – Water Street is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Water Street and changes therein consist of the following:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets that have been designated by the board for specific purposes are included as net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Water Street and/or passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by Water Street.

Contributions – Contributions received are recorded as support without donor restrictions unless they are restricted by donor-imposed stipulations. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated restriction ends or a purpose restriction is accomplished, restricted net assets are reclassified to net assets without restrictions and reported in the consolidated statement of activities as net assets released from restrictions. For restricted contributions where the restrictions are satisfied in the same period as receipt of contributions, Water Street reports these contributions as support without donor restrictions.

Unconditional promises to give are recognized when Water Street is notified of the promise to give. Management recognizes an allowance for uncollectible amounts based on prior experience and analysis of specific promises made.

Water Street reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Water Street reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. These contributions are recorded at their estimated values on the date of receipt.

Revenue Recognition from Contracts with Customers – Water Street recognizes revenues from contracts with customers in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606. This applies only to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Water Street records the following exchange transaction revenue in its consolidated statements of activities for the year ended June 30, 2021:

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies – Continued**

*Program Fees* – In exchange for admission to the residency program, Water Street collects a fee based on a percentage of guests' income. The associated revenue is recognized at a point in time when the guest receives their paycheck and pays their fee. There are no price concessions or applicable refunds, therefore no liability was considered necessary at June 30, 2021. For the year ended June 30, 2021, program fee income was \$77,657.

Water Street also recognizes revenue for tuition received for Wonder Club, an early intervention Pre-K and Kindergarten program. The price of tuition is set with scholarships offered to families based on their income level. Tuition is charged monthly over the course of the school year and revenue is recognized evenly over that same time period. No price concessions or applicable refunds are offered other than the scholarships set at the beginning of the school year, therefore no liability was considered necessary at June 30, 2021. For the year ended June 30, 2021, Wonder Club tuition income was \$12,085.

*Special Events* – Water Street conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event – the exchange component, and a portion represents a contribution to Water Street. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to Water Street. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The performance obligation of special events is delivery of the event. The event fees are set by Water Street and all revenue is recognized at a point in time when the event occurs. Total special event revenue amounted to \$475,629 for the year ended June 30, 2021 and was recognized in contributions on Water Street's consolidated statement of activities. Of the total amounts received \$40,570 was considered to be exchange transactions for the year ended June 30, 2021.

For the year ended June 30, 2021, total revenue from contracts with customers recognized over time was \$12,085 and revenue recognized at a point in time was \$553,286.

Donated Assets and Services – Donated assets are reflected as contributions in the accompanying consolidated financial statements at their estimated market values on the date of receipt except for donations of clothing that are valued when distributed to the community. Water Street is the recipient of significant quantities of donated food, medications and medical and general supplies.

Contributed services are reflected in the consolidated financial statements at the fair value of the services received. Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by contribution. Contributed services for the years ended June 30, 2021 and 2020 were primarily from medical and dental services totaling \$91,002 and \$98,576, respectively.

Long-Lived Assets – Long-Lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be realizable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset and long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 1 - Summary of Significant Accounting Policies – Continued**

**Bequests** – Bequests are gifts made through a will at the donor's death. These gifts may be with or without donor restrictions. Bequests are recorded at the time such proceeds are measurable. During the years ended June 30, 2021 and 2020, Water Street recognized \$870,084 and \$966,010, respectively, as contributions from bequests. Bequests receivable as of June 30, 2021 and 2020 were \$387,210 and \$406,787, respectively. Receivables for bequests are recognized when Water Street is notified of the bequest. Management recognizes an allowance for uncollectible amounts based on prior experience and analysis of specific promises made.

**Allocation of Expenses** – The cost of providing various programs and supporting activities of Water Street have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on management estimates.

**Promotional and Advertising Costs** – Promotional and advertising costs are charged to expense when incurred. These amounts are presented as promotional expense on the Consolidated Statements of Functional Expenses.

#### **Note 2 – New Accounting Standards**

##### *Adopted:*

During 2020, Water Street adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, "Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)." This ASU requires disclosure of the changes in unrealized gains or losses for Level 3 assets or liabilities held at the end of the period and the range and weighted average of the significant unobservable inputs used in determining the fair value of the Level 3 assets and liabilities. This ASU removes the requirement to disclose the transfers between Level 1 and Level 2 of the fair value hierarchy and the valuation process for determining Level 3 fair value measurements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Water Street adopted the new standard effective July 1, 2020, the first day of Water Street's fiscal year using the modified retrospective approach.

##### *Issued:*

In September 2020, the FASB issued ASU No. 2020-07, "Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets." The amendments in this update require not-for-profit entities to present contributed nonfinancial assets separately and increases disclosures related to these contributions. Additional disclosures will include disaggregation of contributed nonfinancial assets, policies related to monetizing or utilizing these contributions, and a description of how the value of these contributions was determined. ASU 2020-07 will be effective for annual periods beginning after June 15, 2021. Early application is permitted. Water Street is evaluating the impact the adoption of ASU 2020-07 will have on its consolidated financial statements.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 3 – Liquidity and Availability of Funds**

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, schedule principal payments on debt, and capital construction costs not financed with debt, were as follows:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Financial assets:		
Cash and cash equivalents	5,237,959	3,866,603
Receivables	408,185	464,629
Investments	10,091,909	8,354,226
Beneficial interest in split-interest agreements	242,515	223,340
Beneficial interest in assets held by others in perpetual trust	<u>4,934,134</u>	<u>4,135,860</u>
Total financial assets available within one year	20,914,702	17,044,658
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(504,194)	(563,109)
Restricted by donor to maintain as an endowment or perpetual trust	(5,477,053)	(4,678,779)
Board designations:		
Amounts reserved for capital expenditures or general reserves	<u>(7,823,550)</u>	<u>(6,342,562)</u>
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u><u>7,109,905</u></u>	<u><u>5,460,208</u></u>

As part of its liquidity management, Water Street has a policy to structure its financial assets to become available as general expenditures, liabilities, and other obligations become due. Water Street also invests its cash in excess of its daily needs in short-term investments. Should an unforeseen liquidity need arise, Water Street could liquidate these investments.

#### **Note 4 – Inventory**

Inventory at June 30, 2021 and 2020 is comprised of the following:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Food	273,755	245,945
General supplies	20,489	13,951
Medical supplies and medications	148,704	210,975
Dental supplies	<u>28,830</u>	<u>33,918</u>
<u>Total</u>	<u><u>471,778</u></u>	<u><u>504,789</u></u>



## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### Note 5 – Investments

Investments are stated at market value. Following is a summary of investments held at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	163,145	246,896
Bonds		
Short Term	2,263,193	2,095,586
Intermediate Term	967,229	819,458
Long Term	166,900	423,809
Equities		
Large Cap	4,520,240	3,402,999
Mid Cap	1,164,821	932,292
Small Cap	846,381	433,186
<u>Total</u>	<u>10,091,909</u>	<u>8,354,226</u>

Investment income and gains for cash and cash equivalents and investments are comprised of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Interest, dividend, and capital gain distribution income	144,501	203,348
Less: Investment fees	<u>(44,653)</u>	<u>(41,705)</u>
<u>Investment income, net of investment fees</u>	<u>99,848</u>	<u>161,643</u>
Other Changes:		
Realized gain of investments	510,651	86,770
Unrealized gain (loss) of investments	<u>1,393,927</u>	<u>(31,285)</u>
<u>Net realized and unrealized gain of investments</u>	<u>1,904,578</u>	<u>55,485</u>

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 6 – Property and Equipment**

A summary of property and equipment at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Computer equipment and software	810,514	635,977
Vehicles	301,209	287,049
Furniture and office equipment	371,247	348,455
Machinery and equipment	1,551,414	1,480,631
Buildings and building improvements	12,105,025	11,888,464
Land and land improvements	320,585	320,585
Construction in progress	86,334	825
Total	15,546,328	14,961,986
Less: Accumulated depreciation	<u>(7,970,000)</u>	<u>(7,264,574)</u>
<u>Property and Equipment, Net of</u> <u>Accumulated Depreciation</u>	<u>7,576,328</u>	<u>7,697,412</u>

Depreciation and amortization expense charged to current operations for the years ended June 30, 2021 and 2020 totaled \$720,538 and \$710,584, respectively.

#### **Note 7 – Beneficial Interest in Split-Interest Agreements**

Water Street is a named remainder beneficiary of several split-interest agreements. Under these agreements, Water Street has a beneficial interest in a portion of the underlying assets, which are controlled by a trustee or a third-party fiscal agent. The underlying assets are principally marketable securities. During the life of an agreement, distributions are made to income beneficiaries of the agreement. At the end of an agreement's life, the remaining assets are distributed to Water Street, and any other remainder beneficiaries. The present value of Water Street's beneficial interest in these agreements was recorded as contributions with donor restrictions when Water Street was notified of the agreement's existence and as a component of net assets with donor restriction in the accompanying consolidated statement of financial position. Subsequent changes in the fair value of the underlying assets are recorded in the accompanying consolidated statement of activities as an adjustment to beneficial interest in split-interest agreements. Management's estimated value of these agreements is based on the year-end fair market value of the agreement's assets multiplied by Water Street's beneficial interest and discounted for the agreement's estimated life.

The following schedule summarizes the income from beneficial interests in split-interest agreements at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Distributions received	0	1,115
Adjustment for change in value	<u>19,175</u>	<u>7,028</u>
<u>Total income in beneficial interest in split-interest</u> <u>agreements</u>	<u>19,175</u>	<u>8,143</u>

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 8 – Beneficial Interest in Assets Held by Others in Perpetual Trust**

Water Street is the beneficiary of several trusts where the corpus of the trusts is required to be invested in perpetuity and income is to be distributed to Water Street at least annually. Management's estimated value of the beneficial interest in assets held by others in perpetual trust is based on the fair market value of the trusts' assets. Water Street has no rights to the trusts' assets, only to a percentage of income of the trusts. Accordingly, they are reported as a component of net assets with donor restrictions in the accompanying consolidated statement of financial position. The following schedule summarizes the income from beneficial interests in assets held by others in perpetual trust as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	\$	\$
Distributions received	195,921	195,692
Adjustment for change in value	798,274	(120,977)
<u>Total income from beneficial interest in assets held by others in perpetual trust</u>	<u>994,195</u>	<u>74,715</u>

#### **Note 9 – Annuity Obligations**

Water Street has entered into charitable gift annuity agreements with individuals to provide quarterly payments during the remainder of the individual's life in return for a charitable gift to Water Street. A portion of the amount received represents an obligation by Water Street to make the quarterly payments and the remainder represents a contribution. The obligation to make payments terminates only upon the donor's death.

Changes in the liability include annuity payments, annuity terminations and additional annuities issued and are recorded in the accompanying consolidated statements of activities as a change in value of annuity obligations. Water Street uses a 7% discount rate and the IRS life expectancy tables to value annuity obligations. As of June 30, 2021, Water Street's maximum future required annual payments to annuitants under existing agreements was \$4,352.

#### **Note 10 – Obligations Under Capital Lease**

Water Street was the lessee of a copier under a capital lease obligation with Toshiba Financial Services. Water Street was subject to monthly payments of \$82, bearing interest at 10.27%. The final payment was made in June 2021. The remaining balance is \$0 and \$1,226 at June 30, 2021 and 2020, respectively.

Amortization of assets held under capital leases is included in depreciation and amortization expense. The gross amount of assets held under capital leases is \$3,849 for the years ended June 30, 2021 and 2020, and the accumulated amortization thereon is \$3,849 and \$3,079 at June 30, 2021 and 2020, respectively.

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes to Consolidated Financial Statements**

**Note 11 – Net Assets without Donor Restrictions – Designated by Board**

The Board of Water Street Mission has designated a portion of net assets without donor restriction for funding capital improvements and a reserve for general operations. At June 30, 2021 and 2020, the amount designated by the Board totaled \$7,823,550 and \$6,342,562, respectively.

**Note 12 – Net Assets with Donor Restrictions**

As of June 30, 2021 and 2020, net assets with donor restrictions are subject to the following purpose or time restrictions:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Subject to purpose restrictions:		
Educational Improvement Grants	81,704	226,359
Beneficial interest in split-interest agreements	242,515	223,340
Wolf Educational Endowment	123,774	57,209
Transitional Housing	56,201	56,201
	<u>504,194</u>	<u>563,109</u>
Not subject to appropriation or expenditure:		
Endowment funds:		
Operating	275,832	275,832
Educational	267,087	267,087
Perpetual trust	4,934,134	4,135,860
	<u>5,477,053</u>	<u>4,678,779</u>
<b><u>Total net assets with donor restrictions</u></b>	<u><u>5,981,247</u></u>	<u><u>5,241,888</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restrictions specified by donors during the years ended June 30, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Subject to purpose restrictions:		
Emergency Shelter Renovation	0	680,132
Educational Improvement Grants	144,655	53,308
Wolf Educational Endowment	0	8,746
<b><u>Total net assets released from restrictions</u></b>	<u><u>144,655</u></u>	<u><u>742,186</u></u>

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 13 – Supplemental Disclosure of Cash Flow Information**

Cash paid for interest for the years ended June 30, 2021 and 2020 was \$53 and \$105, respectively.

Noncash investing and financing activities for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
	<u>\$</u>	<u>\$</u>
Gifts of investments received classified as operating	28,340	83,526

#### **Note 14 – Retirement Plan**

Water Street maintains a defined contribution retirement plan in compliance with Section 403(b) of the Internal Revenue Code for all employees meeting certain eligibility requirements. Water Street contributes a specified dollar amount for each eligible employee. The plan allows voluntary employee contributions. Water Street matches contributions up to a certain percent of compensation. Retirement plan expense for the years ended June 30, 2021 and 2020 was \$161,970 and \$147,728, respectively.

#### **Note 15 – Contingencies**

Water Street was a recipient of a \$500,000 subsidy to create low-income housing through the Affordable Housing Program of the Federal Home Loan Bank of Pittsburgh. Water Street has agreed to be bound by the Affordable Housing Program's regulations, guidelines and requirements until July 27, 2022.

If Water Street does not continue to meet the subsidy's requirements, such as a sale of the project prior to the end of the retention period, the full amount of the subsidy may be required to be repaid.

Water Street is a named defendant in a legal action arising from the ordinary course of operations. In the opinion of management, the ultimate disposition of this matter will not have a material effect on the financial position of Water Street.

No amount has been accrued on the consolidated statements of financial position for these contingencies.

#### **Note 16 – Endowment Funds**

Water Street's endowment funds consist of funds not subject to appropriation or expenditure. Water Street's endowment funds have been pooled with Water Street's other marketable investments. See Note 1 for a description of the types of investments utilized for endowment funds.

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### Note 16 – Endowment Funds – Continued

Water Street's investments are invested in accordance with investment policies set out by a finance committee that has been appointed by the Board. Water Street's management is responsible for the day-to-day management of the portfolio including identifying, selecting and monitoring the external investment manager to implement the strategic asset allocation set forth by the finance committee. Water Street's investment portfolio may include marketable securities that it intends to hold for an indefinite period.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment use and management of Water Street's endowment funds.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, Water Street classifies as net assets with donor restriction for reporting purposes: (i) the original value of gifts donated to the endowment; (ii) the original value of subsequent gifts to the endowment; and (iii) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets not subject to appropriation or expenditure is classified as net assets subject to purpose restrictions until those amounts are appropriated for expenditure by Water Street.

Water Street has elected to follow an investment policy seeking a total return for the investment held, whether the return is derived from appreciation of capital, earnings and distributions with respect to capital, or both. This policy is designed to take advantage of investment opportunities that provide a reasonable and dependable stream of income and continued growth of the funds, while not subjecting the principal of the endowment funds to undue risk of loss. For the years ended June 30, 2021 and 2020, Water Street's spending policy allowed for annual distributions of 4% of the average of the trailing calendar quarter end balances for the previous three calendar years.

The components of endowment net assets at June 30, 2021 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	155,679	275,832	431,511
Restricted for Education	267,087	0	390,861	390,861
<u>Total</u>	<u>542,919</u>	<u>155,679</u>	<u>666,693</u>	<u>822,372</u>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes to Consolidated Financial Statements**

**Note 16 – Endowment Funds – Continued**

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without	With Restriction			Total
	Restriction	General		Education	
	General	Operating	Education		
Operating	Education	Operating	Education	Total	
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2020	81,316	57,209	275,832	267,087	681,444
Investment return:					
Investment income, net of investment fees	4,199	3,813	0	0	8,012
Net realized and unrealized gain	81,643	74,133	0	0	155,776
Total Investment Return	85,842	77,946	0	0	163,788
Amounts appropriated to current operations	(11,479)	(10,423)	0	0	(21,902)
Prior year appropriated amounts spent	0	(958)	0	0	(958)
<u>Endowment net assets - June 30, 2021</u>	<u>155,679</u>	<u>123,774</u>	<u>275,832</u>	<u>267,087</u>	<u>822,372</u>

The components of endowment net assets at June 30, 2020 are as follows:

	Original Gift Value	Without Restriction	With Restriction	Total
	\$	\$	\$	\$
Operating	275,832	81,316	275,832	357,148
Restricted for Education	267,087	0	324,296	324,296
<u>Total</u>	<u>542,919</u>	<u>81,316</u>	<u>600,128</u>	<u>681,444</u>

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes to Consolidated Financial Statements**

**Note 16 – Endowment Funds – Continued**

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without	With Restriction			Total
	Restriction	General		Education	
	General	Operating	Education		
Operating	Education	Operating	Education	Total	
	\$	\$	\$	\$	\$
Endowment net assets - July 1, 2019	83,406	65,955	275,832	267,087	692,280
Investment return:					
Investment income, net of investment fees	5,840	5,415	0	0	11,255
Net realized and unrealized gain	1,984	1,839	0	0	3,823
Total Investment Return	7,824	7,254	0	0	15,078
Amounts appropriated to current operations	(9,914)	(9,191)	0	0	(19,105)
Prior year appropriated amounts spent	0	(6,809)	0	0	(6,809)
<u>Endowment net assets - June 30, 2020</u>	<u>81,316</u>	<u>57,209</u>	<u>275,832</u>	<u>267,087</u>	<u>681,444</u>

**Note 17 – Fair Value of Financial Instruments**

Financial Instruments – The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value estimates are made at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. The assumptions used have a significant effect on the estimated amounts reported.

Inputs and assumptions used in the valuation techniques described above are prioritized into a three-tier hierarchy as follows:

- Level 1 Observable inputs, such as quoted market prices in active markets for the identical asset or liability, that are accessible at the measurement date.
- Level 2 Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.
- Level 3 Unobservable inputs that reflect the entity's own assumptions about the exit price of the asset or liability. Unobservable inputs may be used if there is little or no market data for the asset or liability at the measurement date.



## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 17 – Fair Value of Financial Instruments – Continued**

The following methods and assumptions were used by Water Street in estimating its fair value for financial instruments:

- Cash and cash equivalents: Valued at cost which is equivalent to fair value
- Investments: The fair value of investments are based on quoted market prices for those or similar investments.
- Beneficial interests in split-interest agreements: The fair value is based on quoted market prices for those or similar investments covered by the agreement multiplied by Water Street's beneficial interest discounted using IRS life expectancy tables and applying a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its split-interest agreements.
- Beneficial interests in assets held by others in perpetual trust: This fair value is based on quoted market prices for those or similar investments held in trust multiplied by Water Street's beneficial interest. Management feels this approach reasonably estimates the fair value of its beneficial interest. Water Street's investments are composed approximately of 2% cash and cash equivalents, 24% fixed income, 69% equity, 5% alternatives.
- Annuity obligations: This fair value is based on the payment required for each annuity agreement, the annuitant's remaining life expectancy per IRS life expectancy tables and a discount rate of 7%. Management feels this approach reasonably estimates the fair value of its annuity agreements.

The preceding valuation methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Water Street believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Water Street Ministries d/b/a Water Street Mission and Affiliate**

**Notes to Consolidated Financial Statements**

**Note 17 – Fair Value of Financial Instruments – Continued**

The following table presents Water Street’s fair value hierarchy for the instruments measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
<u>June 30, 2021</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets:				
Cash and cash equivalents	163,145	0	0	163,145
Bonds				
Short Term	2,263,193	0	0	2,263,193
Intermediate Term	967,229	0	0	967,229
Long Term	166,900	0	0	166,900
Equities				
Large Cap	4,520,240	0	0	4,520,240
Mid Cap	1,164,821	0	0	1,164,821
Small Cap	846,381	0	0	846,381
Beneficial interest in split-interest agreements	0	0	242,515	242,515
Beneficial interest in assets held by others in perpetual trust	0	0	4,934,134	4,934,134
<u>Total Assets at Fair Value</u>	<u>10,091,909</u>	<u>0</u>	<u>5,176,649</u>	<u>15,268,558</u>

	Level 1	Level 2	Level 3	Total
<u>June 30, 2021</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities:				
Annuity obligations	0	0	28,214	28,214
<u>Total Liabilities at Fair Value</u>	<u>0</u>	<u>0</u>	<u>28,214</u>	<u>28,214</u>

	Level 1	Level 2	Level 3	Total
<u>June 30, 2020</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Assets:				
Cash and cash equivalents	246,896	0	0	246,896
Bonds				
Short Term	2,095,586	0	0	2,095,586
Intermediate Term	819,458	0	0	819,458
Long Term	423,809	0	0	423,809
Equities				
Large Cap	3,402,999	0	0	3,402,999
Mid Cap	932,292	0	0	932,292
Small Cap	433,186	0	0	433,186
Beneficial interest in split-interest agreements	0	0	223,340	223,340
Beneficial interest in assets held by others in perpetual trust	0	0	4,135,860	4,135,860
<u>Total Assets at Fair Value</u>	<u>8,354,226</u>	<u>0</u>	<u>4,359,200</u>	<u>12,713,426</u>

## Water Street Ministries d/b/a Water Street Mission and Affiliate

### Notes to Consolidated Financial Statements

#### **Note 17 – Fair Value of Financial Instruments – Continued**

	Level 1	Level 2	Level 3	Total
<u>June 30, 2020</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities:				
Annuity obligations	<u>0</u>	<u>0</u>	<u>29,263</u>	<u>29,263</u>
<u>Total Liabilities at Fair Value</u>	<u>0</u>	<u>0</u>	<u>29,263</u>	<u>29,263</u>

Financial instruments measured at fair value on a recurring basis using significant unobservable inputs include beneficial interest in split-interest agreements, beneficial interest in assets held by others in perpetual trust, and annuity obligations.

New contributions of split interest agreements for the years ended June 30, 2021 and 2020 were \$0 and \$4,546, respectively. Distributions for split interest agreements for the years ended June 30, 2021 and 2020 are \$0 and \$1,115, respectively.

Net reinvested earnings, including unrealized gains and losses, of beneficial interest trusts for the years ended June 30, 2021 and 2020 were \$994,195 and \$74,715, respectively. There were no new beneficial interest trusts for the years ended June 30, 2021 and 2020. Distributions for beneficial interest trusts for the years ended June 30, 2021 and 2020 are \$195,921 and \$195,692, respectively.

There were no new annuity obligations issued in the years ended June 30, 2021 and 2020. Payments made for annuity obligations for the years ended June 30, 2021 and 2020 are \$4,353 and \$3,850, respectively.

Adjustments due to changes in the value of split-interest agreements and beneficial interest in assets held by others in perpetual trust are reported in the consolidated statements of activities as a component of other changes.

#### **Note 18 – COVID-19**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China and has subsequently spread into the United States and specifically Pennsylvania. Subsequent to the statement of financial position date, COVID-19 may continue to have a negative impact on operations for the foreseeable future. However, the related financial impact and duration cannot be reasonably estimated at this time.

#### **Note 19 – Subsequent Events**

Subsequent events have been evaluated through date of the independent auditor's report, which represents the date the accompanying consolidated financial statements were available to be issued.